

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6526

BILL NUMBER: HB 1064

DATE PREPARED: Nov 27, 2001

BILL AMENDED:

SUBJECT: TRF Cost of Living Adjustment.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: **X** GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a cost of living adjustment (COLA) in 2002 to members of the State Teachers' Retirement Fund (TRF) (or their survivors or beneficiaries) who retired or were disabled before July 2, 2000.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The impact for the one-year COLA is shown in the table below.

Increase in Unfunded Actuarial Accrued Liabilities Old Plan:	\$50.7 M
Increase in annual payout Old Plan:	\$6.0 M
Increase in Unfunded Actuarial Accrued Liabilities New Plan:	\$72,541
Increase in annual payout New Plan:	\$7,204

The fund affected for the Old Plan is the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: See table above in Explanation of State Expenditures. The New Plan is actuarially funded with a level percent of payroll contributed by the school corporation on behalf of the members. The current contribution rate is 9%. It is unlikely that the current rate would increase because of the provisions of this proposal.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected: Local school corporations.

Information Sources: Brian Dunn of Gabriel Roeder Smith & Co., actuaries for the Teachers' Retirement Fund, 1-800-521-0498.

DEFINITIONS

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.